

Gergely Karácsony
Mayor of Budapest

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the Environment and Cyber**

**Innovative Municipal Leadership in Central Europe: Founding Members of the
Pact of Free Cities, 2 December 2021**

Chairman Keating, Ranking Member Fitzpatrick, distinguished members of the Subcommittee, I am honored to speak with you today on behalf of the people of Budapest, Hungary's capital city.

Speaking here today, I am representing some 1.8 million freedom-loving Hungarians living in the 10th biggest city of the European Union.

In this written testimony I outline the sorrow decline of democracy in Hungary and in the wider world, the struggle of Budapest and other Hungarian opposition-run cities amidst the pandemic against a hostile central government, and our newly founded international cities' alliance, the Pact of Free Cities, which seeks to protect freedom and civic liberties, and stand up for an open, inclusive society within Central-Eastern Europe and beyond.

The crisis of democracy is, of course, neither unique to my country, nor is it taking place without good reason. Starting with the global economic crisis in 2008, large swaths of our constituents have become increasingly discontent with the political establishment, and particularly with the economic order that has created hitherto unprecedented inequality, social injustice, and environmental degradation. Millions of activists, many of them from big, multicultural urban centers, call out establishment parties worldwide demanding transformative change, socially more just policies and climate protection. I stand with their call.

There is, however, another type of backlash against the old ways of representative democracy. Yet other millions of disillusioned voters, typically in suburban and rural areas, fell in the grip of political agendas that reject the rule of law, pluralism, racial justice and human rights. This trend, as I believe my fellow mayors from Bratislava, Prague and Warsaw will also confirm today, has been particularly strong in some Central European countries. Here populists have dominated the political landscape in recent years. They exploit societal discontent for personal and political gain, and without providing genuine solutions to today's many ills. They claim to represent the nation but demonize their fellow citizens who take issue with their policies or embrace a more liberal worldview. They whip up historic grievances and embrace the kind of xenophobic nationalism that twice engulfed Europe in war in the previous century.

This is not how I want my country to be. The members of the subcommittee will be familiar with two bright episodes from Hungary's 20th century history, that long echoed, and indeed left their mark on the American political discourse too. In 1956 my nation stood up against communist dictatorship and revolted against Moscow's puppet government. The revolution

that established a multi-party system, introduced media freedom, and declared Hungary's military non-alignment was crushed with overwhelming Soviet force and left in its wake hundreds of executed freedom fighters, some 200.000 Hungarian refugees, and several years of brutal oppression. In little more than 30 years' time, it was again Hungary which in a bold decision accelerated democratic transition in the Communist bloc. By opening its border with Austria in the fall of 1989 and thus letting thousands of East German refugees leaving for the West, Hungary greatly contributed to the fall of the Iron Curtain.

These two historic events rightly reputed my country on the international stage as a champion of freedom and democracy. Sadly, this good reputation has been badly tarnished in the past 12 years. Again, my country has been making headlines in the international media, but this time around, I regret to say, for quite the opposite reason.

Prior to the 2010 national elections, now Prime Minister Viktor Orbán infamously said to his fellow party members: "We only need to win once, but we need to win big then." Subsequent developments in Hungarian public life reinforced all the fears that many in Hungary felt about this statement. Riding on widespread discontent with the previous social democratic government, the right-wing nationalist Fidesz party led by Viktor Orban gained 52,7 % of votes at the national elections in 2010, and thereby constitutional majority in the Hungarian Parliament. What swiftly followed was a complete break-away from the previous political order (whose democratic credentials had been approved by both EU and NATO membership), and the remodeling of Hungary to a novel form of state which political scientists now call an "illiberal", hybrid regime between democracy and autocracy.

The Fidesz government used its constitutional majority to carry out a near-complete capture of the state. It forced through a new constitution without any meaningful public consultation, made major changes in the electoral law, the media law, and the judicial system, all designed to cement the power of the ruling party and its cronies. It introduced a long range of highly controversial legislation, among others on civil society organizations, workers' rights and gay rights. Gradually, it took control of not only all institutions of checks and balances, including the Constitutional Court, the State Prosecutor's Office, the National Bank, and others, but also centralized the media, misappropriated key cultural institutions and public education. Characteristic to the government's policy is a highly personalized decision-making, unaccountability, disregard for the rule of law and an open hostility toward all kind of personal and institutional autonomies. Under the ideological disguise of illiberal, populist nationalism, our political system has been diverted from its democratic path and made into one-man rule.

In foreign policy too, the government broke with Hungary's long-standing, value-based, strongly pro-European and Atlantic orientation. It declared an "opening to the East", scaled up its political and economic ties with Russia and China, and started playing their bid at the international stage. When it came to condemning and sanctioning Moscow's and Beijing's misdemeanor, Hungary repeatedly blocked EU-level decisions in the foreign ministers' council. One telling case in point about this new international orientation, - and one that directly impacted my city, - is the scandalous pushing out from Budapest of the US-based Central European University, a prominent international knowledge hub, and the subsequent, classified deals with China to establish a campus of the Chinese Fudan University. Another is the agreement with Vladimir Putin on hosting the International Investment Bank in Budapest with

widespread immunities and exceptions, thus allowing for a hotbed for Russian intelligence activities, and threatening European and NATO allied security.

Currently, Hungary's two most expensive public investment projects are the Budapest-Belgrade railway and the Paks 2 nuclear power plant. The former is being financed by a Chinese loan – an investment is expected to pay off in more than 900 years. Furthermore, being part of the One Belt, One Road initiative, the railway clearly serves Chinese interests. The Paks 2 nuclear power plant is being financed by Russia, serving Russian interests. What is common in both projects is that the contracts have been classified and despite being financed from Hungarian taxpayers' money, the details are kept in secret.

The Hungarian opposition is determined to stop both investment projects and prioritize the Hungarian national interest over that of China and Russia.

It is still about four months until the elections, and, in this time, those who oppose the current regime are likely to be targeted by operations that go well beyond the limits of democratic competition. As it has been recently revealed, in February 2020, the Speaker of the Parliament, probably the second most influential person in Hungarian politics after PM Orbán, also from the ranks of the Fidesz party, gave a speech to the heads of the Hungarian intelligence agencies, in which he expressed his view that the gravest threat to Hungarian national security was the Hungarian opposition itself. If the president of the legislature makes such a claim at a meeting with the heads of the secret services, it can only be interpreted as a way of setting a task for them. And, indeed, since then, there have been many signs that opposition politicians have been the targets of Russian style kompromat operations.

All these developments of derailing democracy were closely followed by Hungary's friends and allies, leading to severe clashes and even legal proceedings between Hungary and its own political bloc, the European Union. Over the years, both the European Parliament and high-profile independent watchdog organizations, like the Council of Europe's Venice Commission and others, repeatedly examined Hungary's new laws, and expressed their thoroughly argued critique. The EU also launched the so called "Article 7" proceedings, its only genuine tool to sanction members states that violate basic democratic norms.

The overall impact of these sweeping changes on Hungary's democracy is painfully obvious. Let me just refer to the annual reports of US-based think tank Freedom House. Hungary in the past 11 years has been steadily moving down Freedom House's list of democracies, and in 2019, it was downgraded from a "free" to a "partly free" country.

Hungary's friends abroad concerned about my country's democratic backsliding often make the point that the international democratic community cannot do much about Hungary's anti-democratic turn as long as Hungarians vote in such big numbers for the ruling Fidesz-party and show their support for its leader. This argument basically adapts the government's narrative, which rejects all criticism by making this very claim on democratic legitimacy and broad popular support.

The members of this subcommittee should consider two crucial facts in this regard. First, the Hungarian media landscape is dominated almost entirely by pro-government media outlets,

including the public broadcasting company that acts as the government's propaganda arm and regularly engages in hate campaigns and spreads misinformation to crush political dissent. Second, even with this media landscape, the majority of Hungarians does not vote for Fidesz. At the last elections, the ruling party got 49,2% of the votes which, due to our largely disproportionate electoral system (designed intentionally so by the very party that benefits from it), gave Fidesz 67% of the parliamentary seats. The media situation and the electoral system with heavily gerrymandered electoral districts that are both tailor-made for the ruling party explain how slightly more than 2 million voters in a 10-million strong nation can keep in power the first autocratic government in post-Cold War Europe.

This, in turn, shows that the Hungarian government's value base does not mirror Hungarian society as a whole. Millions of my fellow citizens, typically living in big urban centers and in the multicultural, diverse capital city, embrace a very different political agenda than the government's self-centered nationalism. In 2019 these voters were able to make their voice heard when the democratic opposition's parties finally joined forces and fielded joint candidates in that year's local elections. In Budapest I became Mayor running on a progressive, green urban platform that emphasized climate mitigation and citizen participation. At the city district level, most of the mayoral seats also went to the opposition, which means I can work together with a stable majority in the Budapest City Council. At the national level, we witnessed similar outcomes with 10 of Hungary's biggest cities voting for opposition mayors. As a result of the local elections one-third of all Hungarians now live in cities run by the government's democratic opposition. This political outcome severely disrupted Viktor Orbán's hitherto largely undisrupted rule, and again highlighted the growing socio-political divide between liberal urban voters and the socially more conservative countryside.

It was then, right after the 2019 local elections that together my fellow mayors, we decided to launch a value-based city cooperation between the capitals of the Visegrad countries (Hungary, Czechia, Slovakia and Poland). Again, this was motivated primarily by these countries' strikingly similar domestic political landscape where the central government's sustained attacks on the basic norms and practices of liberal democracy co-existed with the four capital cities' staunchly pro-European and liberal outlook. In December 2019 we signed the Pact of Free Cities' founding declaration in which we announced that we are joining forces to stand up together against the erosion of democratic norms and to advocate for an inclusive, tolerant, diverse society. Our Pact presented another face of our region to the outside world than the government's illiberalism, and attracted considerable international media attention.

It is important to stress that the four founding mayors of the Pact of Free Cities do not represent the same political ideology. Our cities' movement is not a leftist mayors' alliance against their ruling right-wing governments. In fact, we represent a broad ideological spectrum that includes a liberal conservative, a green leftist, an anti-establishment pirate and an independent technocrat. What unites us is our fierce opposition to autocratic governance and a staunch commitment to liberal democracy, the rule of law, minority rights, free public discourse and an even political playing field. Values that we think should be common denominators in politics across Left and Right.

Our alliance was formed against the background of a similar global phenomenon, that is the increasing economic and political weight of cities at the international stage. Our era is defined

by urbanization as one of the most consequential and dynamic forces in the 21st century. More than half of humanity already lives in cities, and two-thirds of the world's population will be a city-dweller by 2050. By now, urban centers produce over 70% of global GDP. They consume close to 70% of the world's energy and produce more than two-thirds of its greenhouse gas emissions. Cities worldwide realize their increasing power and are rising to the common challenges of climate change and environmental degradation, growing inequality and intolerance, and rising housing costs. They do it increasingly in collaboration, pooling resources and exchanging best practices. They rise above partisanship, focusing on delivering tangible solutions to their residents. In the past few decades, cities re-emerged as hubs for progressive policies, as moral champions and pragmatic problem-solvers, positioning themselves against the reluctance, inability or slowness of national governments and international institutions to rise to global challenges, and increasingly seeking to act independently from their home state.

That also explains why the Pact of Free Cities does not limit itself to joint actions and statements in defense of democracy. We also emphasize public policy and how we can together improve the quality of life in our cities in a tangible fashion. In the first year of our cooperation, we focused on the negotiations of the EU's multi-annual budget and advocated for improved access for cities to EU resources for sustainability-related and post-pandemic economic recovery projects. Given cities' massive share in greenhouse gas emissions, their better access to external climate-related funding would be key to cutting CO₂-emissions at the national level. Our initiative was launched by the Pact of Free Cities, but soon grew beyond it and became a Europe-wide cities' movement with 36 European cities signing on to our proposals for EU budget reform. Most of these proposals were eventually voted down by the member states' governments, but our movement did manage to yield some results and, more importantly, put the topic of direct EU-funding for cities on the agenda of the European Union. This is an important and timely discussion the significance of which will only increase in the coming years.

The better funding of cities in the interest of the global sustainability transition is a cause that many local governments in Europe readily embraced. In Hungary, it bears even more significance as the central government chose not to respect the outcome of the 2019 municipal elections, sparing no effort to bleed out financially the opposition-led local governments. Viktor Orbán's political calculation is clear: by cutting funds for these cities, he wants to undermine the opposition's popular support, and showcase by next year's national elections that his political challengers are no alternative to his governance. On the pretext of the Covid-19 pandemic, the government introduced varied legislation to cut our city revenues. For example, among many similar measures, it halved the so-called local business tax, the only tax revenue that Budapest directly collects. The sustained cuts to our finances forced us to cancel several planned public investment projects, and, in fact, pushed us to the verge of technical bankruptcy. I know of no other country where the central government not only did not help, but deliberately hurt municipalities in their pandemic protection efforts. Crucially, the central government also excluded us from the allocation of the \$8 billion EU funding that Hungary is entitled to for post-pandemic economic recovery. This is despite the EU's explicit requirement for member states to co-opt local governments when designing their national recovery plans. Viktor Orbán is not interested in delivering for millions of his fellow citizens as long as they do not vote for him.

As to the Pact of the Free Cities, our work did not stop with lobbying for European funding for cities. Our vision for the Pact has always been to grow it into a global, informal mayoral network, agile to adapt to the ever-changing political environment while maintaining the necessary substance to bring about meaningful change. Recognizing that the values and challenges addressed in its founding declaration by no means particular to the Central-Eastern European region, the founders of the Pact have decided to expand the alliance across the globe. It was reassuring to see that within a short period of time many city leaders answered our call.

On 16 September this year, on the margins of the Building Sustainable Democracies conference that Budapest organized, we held the Pact of Free Cities mayoral summit where 21 city leaders – from Los Angeles to Paris and Barcelona to Taipei – signed onto a new Pact of Free Cities declaration that created the framework of our future cooperation. We have committed ourselves to rebuild and reinforce democracy, counter the erosion of the rule of law, stand up for free and fair elections, push back against unfair electoral practices and misinformation campaigns, facilitate citizen engagement, protest human rights abuses, racism and xenophobia, and engage in dialogue and action to help bridge the emerging urban-rural divide. Today our network consists of 25 mayors from around the world. As we go ahead, I am sure that we will be many more.

Democracy is in danger. We believe that urban centers have a responsibility to protect it, improve it, and drive us toward a better society. We are giving voice to our big urban populations who say no to tribalism, illiberalism, and aspire for a livable, equitable, and truly democratic future.

Thank you for your attention!



DECLARATION

Drawing from our cities' shared history and identity as champions and centers of enfranchisement and democratic development;

Respecting our cities' diverse histories, geographies, economies and cultural heritage;

Re-affirming the need for protection of any individual or social, ethnic, racial or other minority group from discrimination;

Taking note of our cities' regional role in driving innovation, economic growth and welfare;

Acknowledging the challenges that our cities face, especially the climate crisis, growing inequality, the housing crisis, aging population, migration, social stratification and political tribalism;

Recognizing the growing role and added value of our cities and its residents in tackling these global challenges;

Recognizing the importance of subsidiarity and self-governance as guarantees for local communities to best serve their population;

Reflecting on mounting concerns over the resilience of democratic systems worldwide and the rise of authoritarianism;

Recognizing the responsibility of cities in protecting and promoting our common values of freedom, human dignity, democracy, equality, human and civil rights, rule of law, freedom of the media, social justice, tolerance and cultural diversity;

We, the Mayors of the undersigned cities through the Pact of Free Cities hereby commit to:

Unite to build a value-driven city network in order to rebuild and reinforce democracy, stand as a bulwark against the erosion of the rule of law, and fight corruption, state capture, racism and populist nationalism;

Stand up for free and fair elections and democratic movements worldwide, push back against electoral fraud, unfair electoral practices, cyberattacks and dis- and misinformation campaigns aimed to undermine electoral processes;

Facilitate the democratic participation of marginalized communities;

Protest human rights abuses, xenophobia, antisemitism, anti-feminism, racism, islamophobia, anti-LGBTQI rhetoric and action, attacks on civil society organizations, and any other discriminatory practices designed to alienate and exclude from the democratic process;

Explore urban challenges through the lens of democracy and democratic values, share our best practices in inclusive governance, transparency, and smart, evidence-based, participatory and socially-aware city-management, e.g. in the fields of sustainable city planning, climate protection, education, social inclusion, housing, transportation, the media, the digital agenda and any other field of mutual interest;

Engage in dialogue and action to help bridge the emerging urban-rural divide that has the potential to further undermine democratic societies;

Explore and execute joint projects aimed at the objectives above;

Keep our cooperation informal and on a voluntary basis, with no secretariat, no membership fee, and open to other cities and third party stakeholders that share our values and are willing to work to achieve our objectives.

Budapest, 16 September 2021

Matúš Vallo,
Mayor of Bratislava



Gergely Karácsony,
Mayor of Budapest



Zdeněk Hřib,
Mayor of Prague



Rafał Trzaskowski,
Mayor of Warsaw



Femke Halsema,
Mayor of Amsterdam



Kostas Bakoyannis,
Mayor of Athens



Ada Colau Ballano,
Mayor of Barcelona



Dario Nardella,
Mayor of Florence



Peter Feldmann,
Mayor of Frankfurt am Main



Aleksandra Dulkiewicz,
Mayor of Gdańsk



Zoran Janković,
Mayor of Ljubljana



Sadiq Khan,
Mayor of London

MAYOR OF LONDON

Nina Hachigian,
Deputy Mayor of Los Angeles



Peter Kurz,
Mayor of Mannheim



Anne Hidalgo,
Mayor of Paris



Ivan Vuković,
Mayor of Podgorica



Marko Filipović,
Mayor of Rijeka



Dr. Frank Nopper,
Mayor of Stuttgart



Ko Wen-je,
Mayor of Taipei



Cheng Wen-tsan,
Mayor of Taoyuan



Erion Veliaj,
Mayor of Tirana



Gunter Czisch,
Mayor of Ulm



Katrin Albrecht,
Mayor of Neu-Ulm



Michael Ludwig,
Mayor of Vienna



Tomislav Tomašević,
Mayor of Zagreb



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